

MIRS Capitol Capsule
Thursday, February 1, 2007

DTE Wants MPSC To Set Rate

DTE Energy wants the Michigan Public Service Commission (MPSC) to set its distribution rates as a way to help lower rates for low-income citizens, support conservation efforts and rein in its increasing costs, the Senate Technology and Energy Committee learned today.

DTE wants its delivery rate to undergo what's referred to as "revenue decoupling." Seventy-seven percent of a customers' energy bill is the cost of the fuel itself. Energy companies must charge customers exactly what they pay for energy.

The remaining 23 percent is the cost of delivering the fuel to the end user. It costs the energy companies less to deliver fuel in cold winters than it does in warm winters because they're maximizing delivery capacity.

From a cost perspective, the warm winters have been good for consumers because the largest part of their energy bills have gone down. Last winter the cost of gas was \$11.38 per 1,000 cubic feet. In January of this year it was \$7.50 and for February, it will be set at \$6.75.

However, because the utility companies are delivering less gas, their costs have gone up. If the MPSC decoupled the company's utility costs, consumers would have to pay a set rate regardless of weather fluctuation.

This would benefit customers because their distribution costs wouldn't go up in cold winters and it would help utility companies because it would give them a more consistent revenue stream, said Michigan Consolidated Gas Company (MichCon) Executive Vice President Jerry **NORCIA**. DTE is the parent company of MichCon.

It would also allow DTE to become a major driving force behind conservation efforts, he said. DTE is already involved in conservation pilot programs. The programs are aimed at teaching low-income customers how to become more energy efficient to save money on energy bills.

Norcia said DTE is very supportive of energy conservation and alternative energy options, however, those options mean less revenue for the company. Decoupling the delivery costs would offset the drop off in revenue that the utilities will see as a result of warm weather and increased conservation efforts.

Although DTE is in the middle of some energy conservation efforts, it won't commit any set amount of money to conservation efforts until the MPSC decouples that rate.

Bob **STRONG**, general council for Association of Businesses Advocating Tariff Equity (ABATE), hasn't seen the proposal, but as a general rule, ABATE is opposed to decoupling.

"We don't want to see that come into play because it reduces the risk and ability of customers to make sure the rates are set at reasonable levels," Strong said. "Decoupling will, in essence, allow it to stay out of the regulatory arena for a substantial period of time."

Strong said the only reason DTE wants the decoupling is because customers have been judicious about conserving energy to make their bills go down and they should continue to be allowed to do that. They shouldn't have their rates automatically set.

"They (energy companies) can't be trusted to implement a conservation plan or energy efficiency plan," Strong said.

The companies could actually use their "conservation plan" to get around the 21st Century conservation plan by arguing that the plan should be administered by a third party. Strong doesn't want to see this happen.

This is an issue that would have to be addressed by the MPSC rather than the Legislature, Norcia said, adding that he's had some preliminary talks with the MPSC, but the issue has not been brought before the whole Commission.